

**Schriften zu Regional- und Verkehrsproblemen  
in Industrie- und Entwicklungsländern**

---

**Band 65**

**Restructuring the Economy  
of the 21<sup>st</sup> Century in  
Japan and Germany**

**Edited by**

**Franz Schober, Tamiki Kishida  
and Yuko Arayama**



**Duncker & Humblot · Berlin**

FRANZ SCHOBBER / TAMIKI KISHIDA / YUKO ARAYAMA (Eds.)

**Restructuring the Economy of the 21<sup>st</sup> Century  
in Japan and Germany**

Schriften zu Regional- und Verkehrsproblemen  
in Industrie- und Entwicklungsländern

Herausgegeben von Theodor Dams und Joachim Klaus

---

Band 65

# Restructuring the Economy of the 21<sup>st</sup> Century in Japan and Germany

Edited by

Franz Schober, Tamiki Kishida  
and Yuko Arayama



Duncker & Humblot · Berlin



Die Deutsche Bibliothek – CIP-Einheitsaufnahme

**Restructuring the economy of the 21<sup>st</sup> century in Japan  
and Germany** / ed. by Franz Schober ... – Berlin : Duncker  
und Humblot, 1999

(Schriften zu Regional- und Verkehrsproblemen in Industrie-  
und Entwicklungsländern ; Bd. 65)

ISBN 3-428-09935-4

Alle Rechte, auch die des auszugsweisen Nachdrucks, der fotomechanischen  
Wiedergabe und der Übersetzung, für sämtliche Beiträge vorbehalten

© 1999 Duncker & Humblot GmbH, Berlin

Fotoprint: Werner Hildebrand, Berlin

Printed in Germany

ISSN 0582-0170

ISBN 3-428-09935-4

Gedruckt auf alterungsbeständigem (säurefreiem) Papier  
entsprechend ISO 9706 ☺

Dedicated to  
Professor Dr. Dr. Kunihiro Jojima



## Preface of the Series Editors

This publication presents the revised and updated versions of the papers presented at the 17th Joint Seminar of the Faculties of Economics at the Universities of Nagoya and Freiburg. The seminar marks the twenty-fifth anniversary of the cooperation between both faculties and the twentieth anniversary of conducting joint seminars. The meeting took place in Nagoya/Japan on September 8–10, 1997. It was accompanied by a one-day public session with strong participation and attention from government, industry and the scientific community.

The focus of the papers in this book is relatively broad, compared to most previous seminar topics. It ranges from the state of the general economic system in Japan and Germany to aspects of financial and labor markets to various issues of management and organization. The book reflects some of the most urgent economic problems on the turn of the century. It touches also on some of the recurrent issues treated already in previous seminars, see the appendix in this book.

The Faculty of Economics of the University of Freiburg thanks the Ministry of Science, Research and Arts in Baden-Württemberg and the corresponding institutions in Japan for their generous financial support. We also thank the Wissenschaftliche Gesellschaft in Freiburg im Breisgau for the grant which made this publication possible. Thanks finally to the scientific, student and secretarial staff from the University of Freiburg who took the burden to proofread the papers and technically shape the publication into its final form.

Freiburg im Breisgau, March 1999

*Theodor Dams  
Joachim Klaus*





## Table of Contents

<i>Theodor Dams</i>	
Twenty-Five Years of Cooperation between Nagoya and Freiburg . . . . .	11
<i>Masatsugu Tsuji</i>	
Envisioning the Japanese Economic System in the 21st Century in Relation to Economies of Network . . . . .	15
<i>Jürgen Jerger</i>	
Nominal Wage Setting and Employment at the Aggregate and Sectoral Level . . . .	37
<i>Alexander Spermann</i>	
Job Creation in the Low-Wage Sector – The Role of Employment Subsidies . . . . .	65
<i>Hiroyasu Uemura, Akinori Isogai, and Akira Ebizuka</i>	
The Hierarchical Market-Firm Nexus and the Institutional Analysis of the Recent Japanese Economy . . . . .	77
<i>Tadashi Yagi</i>	
The Roles of the Public Sector Toward the 21st Century . . . . .	121
<i>Akihiro Noguchi</i>	
Accounting for Stock Options in Japan . . . . .	143
<i>Hiroshi Tsukada</i>	
Budget Deficits in Japan . . . . .	153
<i>Franz Schober</i>	
Information Technology and Organizational Change: How Stable is the Virtual Enterprise? . . . . .	165
<i>Günter Müller, Holger Eggs, and Jürgen Englert</i>	
Restructuring of Cooperation for Small and Medium-Sized Enterprises by Electronic Networks . . . . .	181
<i>Takeshi Yoshida</i>	
Multiplication of Measurement and Management of Intellectual Capital in Firms	197
<i>Tamiki Kishida</i>	
The Holding Company – An Analysis of Its Organizational Form . . . . .	207
Appendix: List of the Publications of Previous Joint Nagoya/Freiburg Seminars . . .	225
Contributors and Editors . . . . .	227



## **Twenty-Five Years of Cooperation between Nagoya and Freiburg**

Theodor Dams<sup>1</sup>

With this 17th Joint Seminar we are celebrating the 25th anniversary of the socio-economic cooperation between the faculties of economics of the universities of Nagoya and Freiburg and 20 years of conducting joint seminars in Japan and Germany. The results of the seminars have been published in 13 seminar proceedings in Germany and 11 in Japan, the former proceedings for many years in German and later in English language, the latter in Japanese language.<sup>2</sup>

Yet the collection of quantitative facts alone cannot sufficiently illustrate the qualitative value of such an intensive cooperation, i. e. the growing mutual scientific confidence among the Japanese and German participants, the creation of an atmosphere of friendship which supports participation from below, the common interest in favour of the academic education of the younger colleagues, and last but not least the common engagement for a higher prestige of our faculties and universities in both countries. And we should not forget the individual benefits for us and our family members by granting a great hospitality that gives more opportunities for arriving at a better understanding of the society in Japan and Germany.

Twenty-five years of cooperation may not be a long span of time within the historical perspective of an university. The Albert-Ludwigs-University has been founded in 1457 and is one of the oldest German academic institutions. The department of economic sciences has been established within the faculty of law in 1896 (from then on as “Rechts- und Staatswissenschaftliche Fakultät”), strongly supported by Max Weber (1864–1920) who had been a faculty member in Freiburg from 1894 to 1897. I mention this because especially Max Weber has contributed to a comparative study of the relationship between religion and economic development, i. e. the rationality in Confucianism and in Protestantism. Colleagues from Freiburg as well as from Meiji University have recently present-

---

<sup>1</sup> This chapter contains an abbreviated version of the key address delivered by the author on September 8, 1997 at the 17<sup>th</sup> Joint Nagoya/Freiburg Seminar in Nagoya.

<sup>2</sup> See appendix in this book.



ed new interpretations of Max Weber's thinking, and I am sure that this topic will be a field of common interest also in the future.

How can the results of 25 years of cooperation be interpreted and what kind of criteria can be applied in balancing the benefits of our efforts? My subjective view is that we should understand the economic development in Japan and Germany in the context of their respective cultural, social, economic and political environments.

During the last century Japan had, in the western view, considerably diverged from western norms and goals. Today in the context of globalization the Japanese economy has developed one of the highest degrees of competitiveness. This for the western world provocative situation cannot be explained by using traditional Japanese values alone. Therefore, the challenging question is: What are the ethical and cultural forces, values and inner social capabilities of today's Japanese society and how will they support the outstanding efficiency of Japan in the longer run?

As a consequence, Max Weber's concept of rationality in Confucianism and Protestantism has been more and more questioned today, while the ideas of the philosophers of the EDO period before 1867 – especially of Shosan Zuzuki and Baigan Ishida – have been carefully studied in order to explore the impact of their thinking to present problem solving. However, I have the impression, that we still experience a great deficiency in the way we are explaining the present situation by using the results of historical developments and concepts. Yet, there is an increasing awareness for the vertical interdependencies between the different historical periods. In my view, the Nagoya/Freiburg cooperation should take these challenges into account when elaborating the concept of the future program. It should reflect the economic problems in relation to political and social evolution based on historical development.

Let me become more precise by looking upon the present decade and its economic and institutional problems. Both, Japan and Germany, are confronted with the impact of a severe structural adjustment process.

In 1997 the IMF-Journal "Finance and Development" had published an article by Professor Takoshi Ito from Hitotsubashi University entitled "Japan's economy needs structural adjustments". A similar article could easily be published for Germany, too, but with some divergent elements. What are the main conclusions of Ito's article? (a) The economic miracle of Japan seems to "turn pale" (observe the parallel situation in Germany some decades ago). (b) The rapid economic growth in Japan during the 1950–1990 period had been caused – as economists have explained – by specific favourable institutional preconditions such as the life-long employment scheme in enterprises, the banking system and their con-

nection to the enterprises, or the industrial “Keiretsu” on the vertical and horizontal level. All these elements have fostered the economic growth and welfare of the Japanese economy and society. But in the 1990s these elements are no longer the powerful endogenous forces, in contrary, they seem to severely constrain the future development.

The Nagoya/Freiburg cooperation should pick up these challenges of historic development and its economic impact, of turning point analysis and related problems in Japan and Germany, and, by that, hold the doors open for an efficient cooperation also in the future.

After this excursion into a possible future road of the cooperation, let me touch a few facts concerning the past 25 years.

Here, we have to consider that we started the cooperation long time before its official inauguration in form of a written University Contract in 1987. A key event was the grant of an Alexander von Humboldt scholarship to Professor Dr. Dr. Kunihiro Jojima from Nagoya University for the years 1954–57 which he spent at the University of Bonn. Subsequently he had been a Visiting Professor to the Universities of Münster (1962–1963) and Freiburg (1971). Since then, Jojima-sensai has become the essential personality in shaping the cooperation from the Japanese side. He had supported further scholarships to Freiburg, e. g. an Alexander von Humboldt scholarship to Professor Takashi Matsugi and doctoral scholarships to Tetsushi Harada, Naoki Fukuzawa and Kiichiro Yagi who all teach today as professors at Japanese universities. Several further doctoral and other postgraduate exchange programs were initiated comprising some 25 to 30 young scientists equally distributed to both the Japanese and the German side.

Over the two and a half decades our Japanese colleagues have enlarged the cooperation by inviting representatives from neighbour universities, e. g. from Kyoto, Mie, Chubu, Nanzan, Yokkaichi, Nagoya City and Aichi Gakuin University. Japanese scholars sent to Freiburg could add to this list of universities including Keijo, Sophia and Meiji University. This created an efficient network for interdisciplinary research. A good example is the recent book publication by Kiichiro Yagi and Takashi Matsugi entitled “Perspectives and Methods of Social Economics in Germany and Japan”. Other examples are the translations of books written by J. Heinz Müller (University of Freiburg) and Tomas Riha (University of Queensland/Australia, Alexander von Humboldt scholar 1985 in Freiburg and frequent visitor to Freiburg also in other years) into Japanese language. These translations were prepared by Kunihiro Jojima, Takashi Matsugi, Tetsushi Harada and others.

Many achievements could be added, also many events and stories which were in some way connected with the Nagoya/Freiburg network, such as the role of the